

## **REMARKS**

### **I. INDEPENDENT CLAIMS 1, 18, 35, 51, 78, 94, 121, AND 137 – 103 REJECTION – ORDISH ‘165 MODIFIED BY PURCHASING ARTICLE.**

Applicant submits that modifying Ordish ‘165 in the manner proposed in the Office Action would not be appropriate or obvious, because such a modification would alter Ordish’s basic operating principles and would render Ordish unsatisfactory for its intended purpose. Moreover, there is no motivation to make such a modification – indeed, Ordish teaches against it. Further, even if the suggested combination was appropriate and obvious, the combination lacks features in the present invention’s claims – because Ordish’s individual terminal does not constitute an order management system.

#### **A. Switching Ordish to a Negotiated System Would Alter Its Basic Operating Principles**

A proposed modification is unobvious if it alters a basic operating principle. MPEP 2143.01 states: “If the proposed modification or combination of the prior art would change the principle of operation of the prior art invention being modified, then the teachings of the references are not sufficient to render the claims *prima facie* obvious. In re Ratti, 270 F. 2d 810, 123 USPQ 349 (CCPA 1959)”.

It would not be obvious to switch Ordish to switch to a negotiated system, because automatic execution/non-negotiation is a basic operating principle of Ordish. The following passages in Ordish make clear that automatic execution/non-negotiation is a basic operating principle:

- “TECHNICAL FIELD - The present invention relates to matching systems for effectuating trades of trading instruments through automatic matching in which buyers and sellers who are willing to trade with one another based on specified criteria may automatically trade when matching events occur satisfying these criteria...” See Col. 1, lines 25-30.
- “Such [prior art] systems, while providing rapid video conversation capability, and the ability, in the instance of Reuters’ MONITOR DEALING SERVICE, to display a message when a connection is lost during a negotiated trade, are not anonymous systems nor do they provide for automated anonymous trading such as is possible in a matching system.” See Col. 1, lines 43-48.

- “The occurrence of automatically confirmed trades is dependent on match acknowledgement from all counterparties to the matching trade...” See Col. 4, lines 1-4.
- “DISCLOSURE OF THE INVENTION - An improved matching system for trading instruments in which the occurrence of automatically confirmed trades is dependent on match acknowledgement from all counterparties to the matching trade.” See Col 4, lines 7-11.
- “In the system of the present invention, bids for the trading instruments which may be any type of trading instrument such as foreign exchange, stocks, bonds, commodities future contracts, etc., are automatically matched against offers for given trading instruments for automatically providing matching transactions in order to provide confirmed trades for the given trading instruments.” See Col. 4, lines 11-17.
- “An improved matching system for trading instruments in which the occurrence of automatically confirmed trades is dependent on receipt of match acknowledgement messages by the host computer (200) from all counterparties (KS A, KS B) to the matching trade. See Abstract.
- “Assuming the host 200 receives the MATCH-ACK messages from all counterparties to the trade, KS A and KS B, it will automatically transmit both "the confirmed trade" message and a ticket generation message to the counterparties which will cause the display 202, 204 to display a "confirmed trade" or a "done" message next to the particular transaction, as well as printing of the corresponding trade ticket by the associated conventional trade ticket printer 306, 308.” See Col. 8, lines 40-48.

Ordish himself states that his '165 patent is basically the same as Silverman '501 (another Reuters automatic execution patent), but with the improvement wherein timed confirmation messages are sought from the parties before automatic execution occurs:

- “Suffice it to say, that by eliminating the transaction desk and placing conventional timing lapse circuitry 300, 302 at the individual keystations KS A, KS B, risk management in an anonymous trading system is significantly enhanced over the type of

approach employed in the aforementioned U.S. patent application Ser. No. 357,478, now U.S. Pat. No. 5,136,501, issued Aug. 4, 1992.” See Col. 9, lines 16-22.

Therefore, while in Ordish automatic execution is delayed until confirmation messages are received from the parties, once those messages are received then the trade is automatically executed as it was originally input by the parties. **Whether one calls Ordish “delayed automatic execution”, “contingent automatic execution”, or some other term, one thing is clear – Ordish is a non-negotiation system. It is a basic operating principle of Ordish that the parties do not negotiate or interact in any way.**

With regard to Silverman ‘501, this patent was cited in a similar 103 rejection in the Dec. 7, 2005 Office Action, alleging that it would be obvious to switch that patent to a negotiated system. This rejection was overcome by demonstrating that automatic execution was a basic operating principle of Silverman ‘501 – just as it is in Ordish.

In sum, the proposed modification is not some minor change that might be considered obvious. It doesn’t merely add a feature that was missing from Ordish. Instead, it completely changes the very way Ordish operates – *its central operating principle*.

#### **B. Switching Ordish to a Negotiated System Would Render It Unsatisfactory for Its Intended Purpose**

A modification which defeats the intended purpose of the prior art invention is not obvious, as stated in MPEP 2143.01: “If [the] proposed modification would render the prior art invention being modified unsatisfactory for its intended purpose, then there is no suggestion or motivation to make the proposed modification. *In re Gordon*, 733 F. 2d 900, 221 USPQ 1125 (Fed. Cir. 1984)”.

The very purpose of Ordish is to *facilitate automatic execution of trades* by having the parties confirm the trades that they previously entered, thus minimizing losses due to broken trades. In other words, Ordish’s system can automatically execute a matched trade with confidence, knowing that the trade will not later be repudiated by a party. See the following passages from Ordish:

- “As will be described hereinafter, the improved matching system of the present invention overcomes the disadvantages of the prior art in minimizing risks as to losses due to broken trades, such as by ensuring that the occurrence of automatically confirmed trades is dependent on match acknowledgement from all counterparties to the matching trade,

and by monitoring trade status of matching transactions.” See Col. 3, line 65 to Col. 4, line 5.

- “The present invention relates to matching systems for effectuating trades of trading instruments through automatic matching in which buyers and sellers who are willing to trade with one another based on specified criteria may automatically trade when matching events occur satisfying these criteria, and more particularly to improvements in such matching systems in which risks are minimized as to losses due to broken trades.” See Col. 1, lines 25-32.

If Ordish were modified in the manner suggested, to switch from automatic execution to negotiation, then this would obviate Ordish’s very purpose. If the parties negotiated and then consummated the trade, there would be no message back from the parties confirming that the trade the parties previously entered could now be automatically executed. Indeed, there would be no need for Ordish’s timed confirmation features at all – and these features are the very core of his invention; i.e., they comprise the improvement that is the basis for his patent.

### **C. Ordish Teaches Against Such a Modification, Both Explicitly and Implicitly**

Ordish contains the exact same language as Silverman ‘501 concerning the prior art and the previous paradigm that anonymous systems, by their very nature, do not employ a negotiation/conversation capability. Ordish thus teaches against switching itself from an automatic execution system to a negotiated system, because anonymity would be lost:

- “Such [negotiation] systems, while providing rapid video conversation capability, and the ability, in the instance of Reuters’ MONITOR DEALING SERVICE, to display a message when a connection is lost during a negotiated trade, are not anonymous systems nor do they provide for automated anonymous trading such as is possible in a matching system. Of course, conversational dealing systems have their place in the market and serve particular needs where appropriate. *However, anonymous matching systems are also often desired and, by their very nature, do not normally employ a conversation capability* since the parties to the transactions are unknown until the transaction has been completed.” See Col. 1, lines 43-54.

Here, Ordish is *distinguishing* his system from those in previous patents that had conversational/negotiation features. He’s saying that anonymous matching systems – like his

system, Silverman '501, and the present invention – *by their very nature* do not have conversational/negotiation features, because conversational/negotiation features make it too hard to maintain anonymity. In sum, Ordish – like Silverman before him - deems it *unnatural and abnormal* for an anonymous matching system to also allow negotiation.

In addition to explicitly teaching against the proposed modification, Ordish also implicitly teaches against it, because the whole point of the Ordish patent is to ensure that automatic execution can take place smoothly, without worrying that a party will later repudiate the trade (i.e., a broken trade).

Put differently, Ordish's very purpose is to ensure smooth automatic execution, by reducing the broken trade risks automatic execution can otherwise entail. This further demonstrates that modifying Ordish to switch from automatic execution/no negotiation to a negotiated system would not be obvious.

#### **D. The Invention Breaks Previous Paradigms Taught in the Prior Art**

Ordish '165, like the Silverman '501 and Chou '504 references applied in previous Office Actions, teaches that negotiated systems *by their very nature* cannot be completely confidential, and that an automatic execution system is necessary to achieve this complete confidentiality. Silverman '082 also does not teach that negotiated systems can be completely confidential, but instead shows the flip side – a negotiated system *without* the full confidentiality defined in the claimed invention.

The invention thus breaks the previous paradigm that negotiated systems cannot be completely confidential, and this further demonstrates that the novel features defined in the claims are also unobvious. Exhibit 1, attached to this amendment, summarizes this important point.

#### **E. There Is No Motivation to Switch Ordish From an Automatic Execution System to a Negotiated System**

The Office Action states (page 6), with regard to motivation, that it would be obvious to modify Ordish to a negotiation system “so that a user can consummate the transaction via means that are *most comfortable* for them”. This does not state sufficient motivation, and is akin to saying that it would be obvious to modify Ordish so that a user can use means *that they like better*.

Instead, the Office Action must present a convincing line of reasoning supporting a 103 rejection – i.e., a factual basis to support its conclusion that it would have been obvious to make the

combination. See MPEP 2144; *Ex parte Clapp*, 227 USPQ 972 (Bd. Pat. App. & Inter. 1985); and *Ex parte Levengood*, 28 USPQ2d 1300 (Bd. Pat. App. & Inter. 1993).

In fact, there are many disadvantages to negotiated systems that more than counter any advantage that might be gained from them – e.g., higher costs, lower efficiency, lower speed of execution, fewer transactions/lower throughput, harder to maintain anonymity, etc. *And Ordish even discusses the anonymity disadvantage: “[Negotiation/conversation] systems are not anonymous systems nor do they provide for automated anonymous trading such as is possible in a matching system”*. See Col. 1, lines 43-48. These disadvantages make the proposed modification hardly obvious.

In short, automatic execution and negotiation are two distinctly different approaches, each with its own advantages and disadvantages. A negotiation system is certainly not inherently better than an automatic execution system – in fact, as shown above it is inferior in several respects. Switching Ordish to a negotiated system would thus not be obvious.

The Office Action also states (page 6) that “Ordish notes that users of the system are allowed to utilize direct routes of communication as opposed to the system according to the clients’ or counterparties’ preferences” and cites Column 7, lines 42-48 of Ordish as support for this. However, this is incorrect in two respects:

- First, Ordish begins the cited passage with “*When clients or counterparties are identified to each other at an early stage*”. In other words, Ordish only suggests direct communication in connection with no anonymity - consistent with his teaching that negotiated systems cannot be anonymous while automatic execution systems can be. So if one modified Ordish in keeping with the cited passage, the resultant negotiated system would no longer be anonymous.
- Second, Ordish points out in the cited passage that direct communication between the counterparties is disadvantageous, because “records of transactions in all stages cannot then be normally be made at the host 200”. In other words, if direct communication were used, Ordish’s system would not know what the parties were doing, and could not track the transaction.

**F. Claimed Features Lacking: Ordish’s Individual Terminal Does Not Constitute An Order Management System**

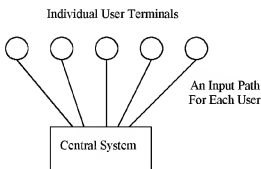
Even if switching Ordish to a negotiated system were an obvious modification to make, the

modified system would still lack an important feature of Claims 1, 18, 35, 51, 78, 94, 121, and 137 – the Order Management System (OMS). The invention's claims clearly define that the central processing system receives indications of interest from an Order Management System integrated with it.

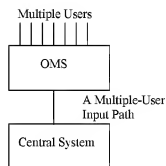
The specification specifically discusses such Order Management Systems, and even mentions several examples of such products in the marketplace:

"The indication requirements of the system may be directly integrated with one or more of any of the available buy side order management systems (OMS) *including the MacGregor Group's Predator System, the Landmark's Longview System, and the Merrin Financial Group's Windows and Order Management Systems*". See Para. 185.

The characteristics of an Order Management System are well-known in the securities industry, and are significantly different than those of an individual terminal. As just one example, OMS's can handle multiple users at one time. That is just not possible with individual terminals that connect directly into the central matching system, as in Ordish. With Ordish's terminals, each individual user has an independent input path into the central matching system. In contrast, with an integrated OMS, an input path into the central system can involve multiple users:



Ordish '165



The Invention

## **II. INDEPENDENT CLAIMS 52, 62, 105, 115, 148, AND 158 – 103 REJECTION – ORDISH ‘165 MODIFIED BY PURCHASING ARTICLE & FERSTENBERG ‘318.**

### **A. The “Inappropriate Combination” Arguments Made Above Apply Equally Well Here**

As an initial matter, Applicant notes that the arguments made above for claims 1, 18, 35, 51, 78, 94, 121, and 137, demonstrating that it would be inappropriate to modify Ordish to a negotiated/“conversational” system, also apply here: such a modification would alter Ordish’s basic operating principles and would render Ordish unsatisfactory for its intended purpose. Moreover, there is no motivation to make such a modification – indeed, Ordish teaches against it.

### **B. Claimed Features Lacking: Ordish’s Prospective Transaction Message Does Not Include the Transaction Message Corresponding to Each of the Matching Entries, and Ferstenberg Does Not Disclose the Data Security Component Defined in the Claims**

Even if switching Ordish to a negotiated system were an obvious modification to make, the modified system would still lack important features of Claims 52, 62, 105, 115, 148, and 158.

Specifically, Ordish’s prospective transaction message does not include the transaction message corresponding to *each* of the matching entries, as in the claims. Claims 52, 62, 105, 115, 148, and 158 clearly define that the transaction message includes the transaction indication corresponding to *each of the matching entries* – i.e., each side. That is simply not the case with Ordish – his “match notification message” merely seeks confirmation of what the party entered earlier, and includes nothing about the other side. See Column 8, lines 27-35.

In addition, Ferstenberg does not disclose the data security component defined in the claims. Claims 52, 62, 105, 115, 148, and 158 also clearly define that the data security component “restricts access to any given prospective transaction entry, even if unmatched, stored in the memory to (i) the user identity corresponding to the given entry; and (ii) the user identities corresponding to the other entries in any of said sets of entries that includes the given entry”.

The passage the Office Action cites in Ferstenberg (Column 14, lines 32-41) does not come close to that. Instead, this passage merely discusses the characteristics of intermediated exchange. It *does not* say that a party’s bid or offer will be kept secret from *everyone*, but instead merely says that Ferstenberg’s e-agents are not aware of each other’s activities and thus act independently, serving to make the commodities fungible among the e-agents. In short, there is no mention here of secrecy or security.



### **III. DEPENDENT CLAIMS**

Finally, because independent claims 1, 18, 35, 51, 52, 62, 78, 94, 105, 115, 121, 137, 148, and 158 define patentably over the prior art, their respective dependent claims 2-17, 19-34, 36-50, 68-77, 53-61, 63-67, 79-93, 95-104, 106-114, 116-120, 122-136, 138-147, 149-157, and 159-163 also define patentably for the same reasons.

### **IV. INVENTOR INTERVIEW SUMMARY**

Pursuant to MPEP § 2281, Applicant states that the October 12, 2006 Examiner Interview included discussion of all the independent claims and the above arguments. Examiner agreed to reconsider the Office Action rejections upon submission of a formal response containing the arguments.

### **CONCLUSION**

For all of the above reasons, Applicant requests reconsideration of the obviousness rejections. Applicant submits that the claims all define patentably over the prior art. Therefore Applicant submits that this application is now in condition for allowance, which action it respectfully solicits.

Respectfully,

/John A. Galbreath/  
John A. Galbreath  
Reg. #46,718

Galbreath Law Offices, P.C.  
2516 Chestnut Woods Ct.  
Reisterstown, MD 21136-5523  
Tel. (410) 628-7770

**Certificate of Electronic Transmission:** I certify that on the date below, this document and referenced attachments, if any, was submitted electronically to the U.S. Patent Office via its online filing system.

13 October 2006

/John A. Galbreath/

## 10/032,535 – Amend. F – EXHIBIT 1

Ordish '165, Silverman '501, Chou '504, etc.:

- Automatic execution / no negotiation system
- Complete anonymity

Silverman '082:

- Negotiated system
- Not complete anonymity

Versus the Invention:

- Negotiated system
- Complete anonymity

THE INVENTION BREAKS THE PREVIOUS PARADIGM THAT NEGOTIATED  
SYSTEMS CANNOT BE COMPLETELY ANONYMOUS